

HOPE VI DEMOLITION GRANT MANAGEMENT AND MONITORING FOR FIELD OFFICES

Grant management responsibilities for all HOPE VI Demolition grants (grants for demolition, relocation, and related activities only) have been *assigned* from HUD Headquarters to Public Housing Directors and Program Center Coordinators in applicable Field Offices. Because the activities eligible under a HOPE VI Demolition grant are undertaken in the same manner as they are under HUD's Modernization programs, it is appropriate that Field Office staff monitor those activities and provide assistance to Grantees.

However, because the HOPE VI Program has not been *delegated* to Field Offices and the funds are officially assigned to Headquarters, some activities, particularly with regard to fund obligation, must be performed by the Office of Public Housing Investments (OPHI) in Headquarters. This document describes the process of setting up HOPE VI Demolition grants and the responsibilities of various HUD staff in monitoring them. This guidance supersedes any related chapters in the HOPE VI Guidebook as well as relevant guidance in Notice HUD 95-10.

I. GRANT SETUP

A. Grant Award and Obligation of Funds

After making grant selections, OPHI reserves the funds and notifies the recipient Public Housing Agencies (PHAs) by letter, providing each applicable Field Office with copies of the award letters in their jurisdictions. OPHI then transmits a copy of the Grant Agreement and four copies of the signature page for each grant. Grantees are asked to originally-sign each of the four signature pages and return them directly to OPHI for execution. Once the obligating documents are executed by the Assistant Secretary for Public and Indian Housing, OPHI:

1. sends one copy to HUD's Fort Worth Accounting Center, which uses the document to obligate grant funds.
2. keeps one copy for its files.
3. sends two copies to the applicable Field Office. The Field Office keeps one copy and sends the other copy to the Grantee.

B. Budget

Along with the Grant Agreement, OPHI will send each Grantee a copy of the approved HOPE VI Demolition budget for the new grant. The budget (on Form 52825-A) is the one from the original grant application. If OPHI has approved the budget, either as submitted or with OPHI's revisions made at grant award, OPHI will indicate the amount of each individual Budget Line Item (BLI) on the approved budget form. Once Fort Worth obligates the funds, OPHI will enter grant funds into LOCCS in accordance with those BLIs. If OPHI cannot approve individual BLIs, e.g., if OPHI approved a grant in an amount less than requested, the approved budget will indicate only a total amount awarded. In this case, the Grantee must revise its budget and submit it to the Field Office for approval. See Section IV(A)(1) below on budget revisions.

C. Grantee Financial Instructions

Grantee Financial Instructions are posted to the HOPE VI Home Page (www.hud.gov/hopevi). This document explains how to submit banking information, become authorized in LOCCS, and make requests for funds. Grantees are asked to submit Direct Deposit forms and LOCCS authorization forms directly to OPHI for processing. Field Offices may be asked to assist new Grantees in completing these forms. PHAs with existing HOPE VI grants do not need to resubmit their banking or LOCCS information unless they wish to request a change in bank account or authorize different users.

II. **FIELD OFFICE ADMINISTRATION**

A. Field Office Staff LOCCS Access

Once Fort Worth has obligated the HOPE VI Demolition grant funds and OPHI has entered the budget into LOCCS, Field Office staff will administer the grant. Each Field staff person who has been assigned to administer a HOPE VI Demolition grant in LOCCS but does not have LOCCS access for HOPE VI (program area URP) must complete a HUD 27054-A to obtain Field Office Administration Access. The 27054-A is available on the HOPE VI Home Page. (Note that even though HOPE VI grant numbers include the letters "URD," the Program Area for HOPE VI is "URP.") Each new authorized HUD staff person will receive a LOCCS user ID in the mail.

If a staff person already has a LOCCS user ID, mark the Add/Change Authority box on the form and enter the current user ID. Fax the completed form directly to LOCCS Security at 202-708-4350. OPHI staff will retain access in LOCCS, and are available to continue administering LOCCS drawdowns (upon Field Office approval) until Field Office staff are authorized.

B. Field Office LOCCS Administration

Once grant funds are obligated and OPHI has spread the funds into BLIs, Field Offices are responsible for the following actions and activities for their respective HOPE VI Demolition grants:

1. Review the Grantee's quarterly report (see below) and enter receipt of each report into LOCCS. [LOCCS screen M10]
2. When warranted, override LOCCS edits to permit draws larger than 5 percent of the total grant amount per month. [Check LOCCS Screens V32 or Q10 to identify outstanding vouchers.]
3. If necessary, override LOCCS edit to permit a drawdown of more than 110 percent for a BLI. [Voucher will appear on LOCCS Screen V32] If the voucher is paid, make sure that the Grantee submits a budget revision to correct this problem in the future.

4. Review and approve budget revisions and record changes in LOCCS. [LOCCS screen F01]
5. As requested by the Grantee, make realignments to drawdowns to reflect actual expenditures. [LOCCS screen M03]
6. When warranted, suspend payments to a Grantee from LOCCS and remove the suspension when corrective action has been taken. [LOCCS screen M01]
7. As appropriate, cancel a voucher request that has been approved for payment (waiting to be paid). [LOCCS screen V31] This may only be done on the same day the request is called in.
8. If requested, with proper justification, extend grant term by entering a revised obligation end date. [LOCCS screen A01]
9. Close out grant in accordance with the HOPE VI Demolition Closeout Procedures. [LOCCS screen A01]

For assistance administering LOCCS, Field Office staff should refer to the LOCCS PIH User Guide for HUD Staff. The most current edition was issued in July 1996. Field Offices may also contact the OPHI HOPE VI LOCCS Administrators (Jeanne Andersen and Carol Gilliland) with any questions.

III. REPORTING REQUIREMENTS

A. Quarterly Reports

HOPE VI Demolition Grantees must submit a Quarterly Report each January 31, April 30, July 31, and October 31. Each Field Office must determine the information it requires from the Grantees in its jurisdiction. OPHI has not issued a quarterly report format for HOPE VI Demolition grants. The kinds of information that might be requested include:

1. current budget (Form 52825-A);
2. number of families relocated (during the reporting period and total);
3. updated schedule, including date of demolition notice to proceed and projected completion date;
4. number of buildings and units removed by bedroom size (for the reporting period and total);
5. contract Change Order approvals and contract extensions; and
6. any other information requested by the Field Office.

The Field Office is responsible for entering receipt of the Report into LOCCS (screen M10) each quarter in order for Grantees to continue receiving funds. Field Offices will use data from the report to enter demolition statistics into IBS, ensure that operating subsidy is reduced accordingly, monitor use of Section 8 for relocation, and ensure that budget items are appropriate.

B. Cumulative Obligation and Expenditure Data

1. **Nature of Report**

In addition to submitting a Quarterly Report, Grantees must also enter cumulative totals directly into LOCCS each quarter. LOCCS gives the Grantee the option to enter or change previously entered cumulative obligation and expenditure data without drawing down, or to continue the drawdown without entering the data. The total cumulative obligation and expenditure amounts must be reported for each grant for which funds are being requested. If no obligation or expenditure activity has occurred since the last quarterly update, the Grantee must reenter the existing cumulative obligation and expenditure data in order for LOCCS to acknowledge data entry for the most recent previous quarter.

- a. **Obligations** refers to the cumulative amount of commitments that have been entered into, i.e., contract execution for contract labor, materials or services; start and continuation of physical work by force account labor; and start and continuation of administrative expenses. Contract execution means execution of the contract by both the Grantee and the contractor.
- b. **Expenditures.** When funds have been obligated, the Grantee is expected to show reasonable progress as evidenced by increasing fund expenditures each quarter at a rate which would allow completion within the time frame set forth in the approved implementation schedule. Grantees may request construction funds only when payment is due and after inspection and acceptance of the work. The Grantee generally is required to distribute funds within three working days of receipt of the funds from HUD.

2. **Data Entry Deadlines and LOCCS Oversight**

Grantees must enter Cumulative Obligation and Expenditure Data during the month following the due date of the Quarterly Report. One month after each Quarterly Report due date, Grantees will not be allowed to continue the drawdown unless they have entered the cumulative obligation and expenditure data for the previous quarter. For example, for the quarter ending December 31, the required data for the month of January must be entered. If the data has not been entered by January 31 and the Grantee attempts to requisition funds on February 1, LOCCS will not process the requisition the required data has been entered.

If funds have not been requested during a previous quarter or quarters, the Grantee will not be allowed to request funds until it has entered the cumulative obligation and expenditure data for the most recent previous quarter. For example, if funds have not been requested during the quarters ending March 31 and June 30, but the Grantee needs to request funds in July, LOCCS will not process the request until the required data has been entered for the quarter ending June 30. If there has been no change in the obligated and expended amounts, the Grantee will reenter the existing cumulative obligation and expenditure data in order for LOCCS to acknowledge data entry for the most recent previous quarter.

3. **Initial Data Entry**

For the initial drawdown for a particular grant, the procedure set forth in paragraph 2 above applies. If the cumulative obligation and expenditure data for the most recent previous quarter are zero, enter zeroes for both amounts. For example, if the Grant Agreement was executed in January and the first funds under the grant are being requested in March, enter zeroes for the quarter ending December 31, even though the Grant Agreement was not executed as of that date.

4. **Data Entry Edits**

- a. If the entered cumulative obligation or expenditure amount is less than the prior quarter's obligation or expenditure amount, LOCCS will ask whether the entered amount is correct. If the amount is incorrect, correct the amount. For example, the obligation amount may decrease due to a contract modification, reducing the fixed price of the contract.
- b. If the entered cumulative obligation amount is greater than the grant amount, LOCCS will ask for a corrected amount. The obligation amount cannot exceed the grant amount.
- c. If the entered cumulative expenditure amount is greater than the obligation amount, LOCCS will ask for a corrected amount. The expenditure amount cannot exceed the obligation amount.

IV. DEMOLITION GRANT MONITORING

A. Grant Changes

1. **Budget Amendments.** A Grantee requesting a budget amendment, i.e., a redistribution of grant funds between Budget Line Items, must submit its proposed budget, using the HOPE VI Budget Form, to its Field Office Grant Manager. The Grant Agreement provides that Grantees may request up to 110 percent of any BLI (except the Administration BLI) without HUD approval. Although the total HOPE VI Grant amount may not be increased, Grantees are free to use other sources of funds for necessary, reasonable, and eligible costs that exceed the amount of the HOPE VI grant.

The Field Office will review the budget for reasonableness of costs and eligibility of activities. HOPE VI Demolition grants may only be used for demolition (including hazard abatement), relocation, and the establishment of a lawn. Grant funds may not be used for site improvements such as playground equipment, parking lots, streets, etc. Once the Field Office has approved the budget, it must sign and return a copy to the Grantee and record the appropriate changes in LOCCS. The Field Office is asked to send a courtesy copy of the revised budget to OPHI for its files.

2. **Grant Limitations.** Changes in grant budgets must be consistent with the guidelines used when the grant was originally awarded. Those guidelines are:
 - a. 1996: indirect costs no more than 20 percent of direct costs
no more than \$3,000 per unit for relocation
no more than \$15,000 per unit overall
 - b. 1997: indirect costs no more than 10 percent of direct costs
no more than \$3,000 per unit for relocation
no more than \$5,000 per vacant unit
no more than \$6,600 per occupied unit
 - c. 1998: no more than \$5,000 per vacant unit
no more than \$6,600 per occupied unit
 - d. 1999: no more than \$5,000 per vacant unit
no more than \$6,600 per occupied unit
reasonable costs to demolish nondwelling facilities
 - e. 2000: no more than \$5,000 per unit for demolition
no more than \$3,000 per occupied unit for relocation
reasonable extraordinary site costs
reasonable costs to demolish nondwelling facilities

3. **Leftover Funds.** After carrying out the demolition and relocation activities proposed in its original application, a Grantee may find that it has unexpended grant funds. Grantees may use any leftover funds to demolish additional units, either in the same public housing project or in another project. The units targeted for additional demolition must be approved for demolition either through a HUD-approved Section 18 demolition application or a HUD-approved Section 202 Conversion Plan. The amounts expended per unit must also conform to the grant limitations as described in Section IV(A)(2) of this document, above. The Field Office may approve the use of unexpended grant funds to demolish additional units. HOPE VI grant funds may be used only for eligible Demolition grant activities, and the Field Office must ensure that the appropriate environmental review is completed before demolition is carried out.
4. **Reduction in the number of units to be demolished.** HOPE VI Demolition grants awarded in FY 1996 and 1997 were awarded based upon demolition applications that had not yet been approved. If the SAC approves a smaller number of units than requested or amends its approval to reduce the number of units previously approved, the amount of the HOPE VI Demolition grant must be reduced accordingly. The revised grant amount must be calculated using the same grant limitations as the original grant amount. OPHI, the Field Office, and the Grantee will work together to arrive at a revised budget and scope of the grant. The final written approval of the reduced amount will come from OPHI, and OPHI will prepare the SF 1044 to recapture the funds.
5. Any other changes proposed by a Grantee must be submitted to the Field Office for review. The Field Office will consult OPHI as needed on a case-by-case basis.

B. Grant Duration

1. **FY 1996-1998** Grantees were not given a specific deadline to complete demolition activities, and there have been some significant delays in some of these grants. Field Offices must be proactive in emphasizing the importance of getting these units down expeditiously. (A deadline of 18 months from execution of the ACC Amendment was given in the FY 1998 confirmation of award letter, but this deadline was not stated in the NOFA, nor in the ACC Amendment.)
2. The **FY 1999** HOPE VI Demolition Grant Agreement required that Grantees commence demolition within six months of Grant Agreement execution deadline and complete demolition within two years from the date of Grant Agreement execution.
3. The **FY 2000** NOFA requires that Grantees complete the proposed demolition within two years from the date of Grant Agreement execution.

C. Grant Closeout

Field Office Grant Managers are responsible for assisting Grantees in closing out their grants. Procedures and forms are provided on the HOPE VI Home Page. It is important that Field Offices enter all changes in unit counts into IBS and adjust operating subsidies accordingly. Field Offices are asked to send copies of the Preliminary Closeout documentation and a copy of the approved Actual HOPE VI Cost Certificate (AHCC - Form 53001-A) to OPHI for its files.